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Current Support Brief

THE ECONOMY OF BURMA
COMES UNDER INCREASING STATE CONTROL

CIA/RR CB 63-22

28 February 1963

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

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The recent "retirement" of Brigadier Aung Gyi, Burma's No. 2 man and a moderate voice within the Revolutionary Government of the Union of Burma (RGUB), is a setback for advocates of a gradualist approach to a socialist economic policy for Burma. The removal of Aung Gyi will give Tin Pe, leading exponent of a more extreme economic policy in the RGUB, freer rein in expanding his plans for complete state control of the Burmese economy, in contrast to Aung Gyi's plan to retain some degree of emphasis on the private sector.

With the arrest of some members of the Revolutionary Council who supported Aung Gyi and the possible resignation or ousting by Ne Win, the Chairman of the Council, of other supporters, 1/ Tin Pe's influence within the Council has increased. He now has to convince Ne Win of the merit of his more doctrinaire plans for the economy. Ne Win apparently has rejected Tin Pe's "reform plan," which calls for the eventual nationalization of all farmlands and the establishment of state cooperatives, but it appears that he now has approved of Tin Pe's plans for complete state ownership of all trade and industry. Contemplated action by the state calls first for the takeover of the export-import business, the rice mills, and certain other private industries. 2/

1. Burma Economic Development Corporation

Although centralization and state control are not new in Burma (for example, the present State Agriculture Marketing Board, the Inland Water Transport Board, and the State Timber Board all came into existence in the second half of the 1940's), it is clear that, under present military direction, state control has increased considerably since the coup of March 1962. A case in point is the Burma Economic Development Corporation (BEDC).

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The government-affiliated BEDC was created in 1961 to take over the Defense Services Institute, originally a PX type of cooperative store for the military. Both organizations, however, were the personal satellites of the recently "retired" Aung Gyi. Under Aung Gyi's management the BEDC became a parent corporation of 37 business enterprises, 3/ covering practically all facets of the economy. With the "retirement" of Aung Gyi, the BEDC control probably will decline, and some of its programs will be transferred to other government agencies. Such an event, however, does not imply any lessening of military/state control of the economy. Several indications of Ne Win's plans for curtailing the power of the BEDC are now evident. For example, the Mawchi Mines, Ltd., will be managed by the government's Petroleum and Minerals Development Corporation instead of the BEDC, as originally planned. Similarly the British-Burma jointly owned Burmah Oil Company, Ltd. (1954), and the British-managed Burma Oil Company (Burma Trading) were purchased directly by the RGUB, although originally scheduled for purchase by the BEDC. Control now will be exercised through the government-owned Burmah Oil Company, Ltd. 4/

In the banking sector a major shift in facilities occurred last September. Government agencies and organizations were directed to channel their business through the BEDC's Ava Bank, Ltd., and the Export-Import Bank instead of the State Commercial Bank, Burma's leading banking institution. 5/ This action placed the military in control of the two main credit institutions in the country.

2. Control of Commodity Trade

In the commodity trade area, Ne Win has announced the state's intentions to take over all rice mills, probably through the instrument of the State Agriculture Marketing Board (SAMB). This move would put out of business the private rice millers, who have been bucking SAMB policies for some time because of the low prices paid for their rice. The move also would hurt the position of the paddy growers. Although there previously was some choice as to whether the farmer sold his unmilled rice to the SAMB or to the private millers, who paid a higher price, now there will be one SAMB-directed price. Passive resistance by the farmers is possible and may be manifested in their

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refusal to sell to the SAMB. In the longer term this resistance would result in decreased production, affecting Burma's revenue from its chief export, rice.

The area of control of the SAMB recently was enlarged to include nine other important commodities in addition to rice, 6/ thereby reaching almost all of Burma's agricultural producers. If the SAMB handles these new commodities as it has handled rice, it is expected that there will be greater control over prices and probably less profit for the farmers.

It is questionable whether or not the RGUB will be quickly successful in implementing these new policies. Not only may resistance by rice and other agricultural producers hinder the RGUB's success in imposing its strict economic policies on Burma, but a lack of adequate administrative capability also is expected to be an important long-term problem.

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